



FRANCE

What's happening in this economy

France's economy continues to improve steadily, with GDP growth around or slightly above the Eurozone average. The country's economy performed strongly in 2017 and 2018 in line with a stronger international economic environment. This has been challenged by domestic social unrest, in particular the Yellow Vests movement launched in late 2018, and less favourable international trade and economic conditions. Nevertheless, economic growth and business confidence remain relatively strong and unemployment is lower than any other point in the last 10 years.

The French government is pushing ahead with a suite of domestic economic reforms, starting with improved labour market flexibility. The government is bringing down public spending, reducing the regulatory and fiscal burden on companies, and reducing the size of the state. It is preparing a program to sell off shares of public holdings in French companies (Aéroports de Paris and Française des Jeux), with proceeds to be re-invested in energy and the environment, skills and training, innovation, and the digital economy. In 2019–20 major reforms are planned to the pension and unemployment benefits systems, and public funding for science and research.

France is becoming more business friendly but it remains a complex regulatory environment. The government has launched major efforts to attract foreign investment and to position France as a more attractive place to do business, especially in the wake of Brexit. Unlike most European countries, France runs a trade deficit. To remedy this the government is pursuing measures to encourage businesses to be more internationally competitive and export-driven, especially SMEs.

The country has a high quality university and research system, and a dynamic start-up scene. The government is seeking to position the country as a leader in innovation, and has recently launched an artificial intelligence strategy and a digital engagement strategy. Further reforms are expected to the agricultural sector to increase competition and support farmers. France remains a challenging place for mining and resources operations due to stringent environmental regulations and strong civil society opposition.

France is a mature, highly competitive market. It has a number of large multinational companies that are global leaders in their fields. There are opportunities for Australian businesses in some specific sectors, such as agriculture, infrastructure, health, finance and digital technologies.

The country is also a significant source of foreign investment in Australia, with most of the CAC40 (ASX200 equivalent) present. French companies are pursuing further investment opportunities around the Future Submarine Program, energy and resources, and advanced manufacturing.

Key facts and figures

- Population: 66 million
- GDP growth: 1.8 per cent
- GDP per capita: USD 39,673
- Political system: republic
- Two-way trade: AUD 6 billion in goods; AUD 3 billion in services
- Over 600 French companies operate in Australia, employing over 60,000 people
- Over 220,000 French citizens have visited Australia under working holiday visas since 2003



connecting Australian business to the world

The EU's mandate for a free trade agreement with Australia was approved in May 2018. There have been several rounds of negotiations since June 2018. As a bloc, the EU is Australia's second largest trading partner, third largest export destination, and second largest services export market. The EU was Australia's largest source of foreign investment in 2018. France was the strongest voice against adoption of the EU's FTA mandate, and still has concerns around agriculture, environment and sustainable development.

Trade, investment, and commercial opportunities and activities

- Around 140 Australian companies are present in France, employing 40,000 people. They span a range of services sectors including:
 - banking and finance
 - healthcare
 - information and telecommunications, and
 - transport and logistics.
- France is an attractive destination for Australian start-ups, which have benefited from programs such as La French Tech and Paris & Co:
 - collaboration with French companies on R&D remains strong and there are opportunities with blended learning in higher education
 - major French government investment programs—including in health, infrastructure, construction and urban development—also have good prospects, and
 - France's regulatory environment is challenging, especially its labour market, banking and environmental regulations.
- France is a major source of foreign investment for Australia:
- more than 600 French companies operate in Australia, employing over 60,000 people:
 - France also has a number of significant investment interests in Australia, particularly in the infrastructure, energy and resources, tourism and defence sectors
- The SEA1000 Australia Future Submarine Program—awarded to Naval Group in 2016—is an opportunity to leverage French investments connected to the program's supply chain, including in the engineering and advanced manufacturing sector.
- France is also hub for a range of major business, cultural, education and defence events in which the Australian Embassy and Austrade regularly participate. These include:
 - Eurosatory and Euronaval industry events
 - Vivatechnology, and
 - the MEDEF summer school.

In addition, we organise regular business networking and facilitation events, such as the Austrade defence export strategy industry seminar and the inaugural French–Australian defence industry symposium. Other events are held in conjunction with the Australian Business in Europe France association.



Trade policy and negotiations

France is a member of the EU, EU Customs Union and EU Single Market. France is closely integrated with other European economies, but less so with other economies, particularly in Asia.

While the French government supports trade agreements and stands against protectionism, there are significant forces in civil society that are less well-disposed to free trade and globalisation. France generally advocates for trade that has in-built sustainable development protections and safeguards. France advocates for these positions in a range of international fora, including the G7, G20 and OECD.

The European Council approved the mandate for an Australia–EU FTA in May 2018. Several rounds of negotiations have been held since June 2018. Key issues in the mandate for France were around agriculture, environmental, social and health standards, and treatment of its overseas territories. France stands to benefit from improved access to the Australian market for key exports, such as cosmetics and pharmaceuticals. French companies can use Australia as a launch pad to fast-growing Asian markets. France also has interests around access to public procurement and protection of geographical indicators.

France is supportive of the WTO and wants to strengthen its role in the rules-based trading system. France wants to resolve the blockage in the WTO’s dispute resolution mechanism. France is also supportive of further progress on issues such as fisheries subsidies, agricultural support, services regulation and e-commerce.

France has protested strongly against the US’s application of tariffs on steel and aluminium, and has advocated for retaliatory measures by the EU against the US if it proceeds with the tariffs.

Disclaimer

The Department of Foreign Affairs and Trade (DFAT) has taken great care to ensure the information contained in this publication is correct and accurate.

DFAT does not guarantee, and accepts no legal liability arising from or connected to the accuracy, reliability, currency or completeness of any material contained in this publication.

Readers should exercise their own skill and care in using the material contained in this publication and carefully evaluate the accuracy, currency, completeness and relevance of the material for their purposes.